

7th International Economics & Business Management Conference, 5th & 6th October 2015

Working Capital Management Efficiency: A Study on the Small Medium Enterprise in Malaysia

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Abstract

This preliminary study was made with an attempt to analyze the efficiency of working capital management in the selected small medium enterprise companies in Malaysia. The secondary data was derived from Suruhanjaya Syarikat Malaysia. Database of 24 companies are randomly selected from the SME Corp website for four years period from 2010 - 2013. In analyzing the efficiency of working capital management three indexes was used in this current study namely, performance index of working capital management (PI_{WCM}), utilization index of working capital management (UI_{WCM}), and efficiency index of working capital management (EI_{WCM}). The results reveal that the selected small medium enterprise company was less efficient in managing their working capital during this study period.

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Peer-reviewed under responsibility of Universiti Tenaga Nasional

Keywords: Working capital management; Efficiency index; SME; Malaysia

1. Introduction

Essentially, working capital management (WCM) is one of the most vital segments in firm's financing decisions as an important stimulus towards firm's performance. The importance of WCM towards firm's achievement was considered as a traditional concept that highlights in all standard corporate finance textbooks (Aktas, & Croci, & Petmezas, 2015). Above all, efficient management of working capital is a fundamental part of the overall corporate strategy (Padachi, 2006) and is expected to contribute positively to the creation of a firm's

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